

Biweekly Narrative Seafood Report (No: 13 -2002): Korea

Prepared by Alaska State Trade Representative in Korea
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1. Korean Economy Update

Korea asks for 3-day time-out as trade talks with Chile stall: South Korean negotiators in Geneva seeking a free-trade agreement with Chile will meet again, perhaps Thursday, as the Korean delegation requested three days to work out policies with the government in Seoul.

But a rough road seems to lie ahead, as Chile remains adamant on not opening its financial market, and sharp conflicts continue to divide Korean government agencies.

What had been trumpeted as a smooth ending to a three-year negotiation leading to Korea's first bilateral trade agreement broke down at the last minute Monday when the Chilean side insisted that it would not open its financial sector.

Sources who have watched the progress of the talks said that the Korean government's eagerness to sign an agreement kept it from anticipating that Chile was determined to protect its financial market. South Korea is the only member of the Organization for Economic and Cooperation Development that has no bilateral free-trade agreements, and one of only five among World Trade Organization members. It hoped that completion of a deal with Chile would give impetus to negotiations with Japan and Mexico.

"Since the two countries have reached an agreement to exempt imports of Chilean farm produce," said an official at the Ministry of Foreign Affairs and Trade, "Seoul should not insist on opening Chile's financial market."

The agency in charge of coordinating the negotiation, the Ministry of Finance and Economy, disputed the notion that an agreement excluding the financial market would be meaningless. "If we were to make an exception on opening the financial sector, it would set a bad precedent in our future negotiations," a Finance Ministry official said. He added that while not all free-trade agreement partner nations have attractive financial sectors, Korean financial institutions are keenly eyeing the Chinese market.

(Source: October 23, 2002, the JoongAng Ilbo, Korea)

'Korean economy still in good shape': Despite rising uncertainties surrounding the local and global economies, the Korean economy is still in good shape and will continue to see modest growth next year, economists say.

Some critics have cautiously warned that Korea may plunge into another economic crisis next year if its consumer lending and real estate prices continue to rise and the world economy falls into a period of deflation due to a delay in the U.S. economic recovery.

However, the vast majority of economists still remain optimistic about the country's economy, saying the recent concerns about the breakout of another crisis and deflation risks are just "exaggerated."

"No need to panic," said Chung Moon-keun, head of the Economic Trend Department at the Samsung Economic Research Institute (SERI). "Looking at domestic and external factors, the Korean economy will not face another crisis."

Unlike in late 1997, Korea's fundamentals are stronger than ever with foreign exchange reserves exceeding \$100 billion, Chung said, adding the recent rise in consumer lending and real estate prices are still manageable.

Oh suk-tae, an economist at Citibank in Seoul, also said the Korean economy is still on a recovery track although it may slow down a little in the coming months.

"Even if the economy slows down, it will be still in a better position than many other countries," Oh said. "We are just experiencing a period of correction that is necessary to make a better future."

Ihm Jee-won, an economist at JP Morgan Chase & Co. in Seoul, said it is still too early to say the Korean economy is heading for a crisis or deflation.

"There is no data suggesting we are facing such big risks," Ihm said. "There will be no crisis like the one in late 1997 within the next three to four years."

Ihm noted that Korea has experienced a recession only twice over the past 30 years, one in early 1980s and the other in late 1997.

Officials at the Ministry of Finance and Economy also believe that the economy is still recovering, hence there is no need for drastic economic policy changes for the time being.

"Please tell me what's really wrong with our economy, if there is anything," said Bahk Byong-won, director-general of the Economic Policy Bureau at the Ministry of Finance and Economy.

Although consumer lending has been rising fast recently, its overall level is still low compared to other advanced countries, Bahk said, adding the recent rise in real estate prices can be found only in a few limited areas in Seoul's Gangnam area.

"Even if oil prices surge due to a possible U.S.-Iraq war, we have a set of emergency measures to tackle such problems, including lowering related tariffs on oil imports and releasing oil reserves available for 107 days, among others."

(Source: October 22, 2002, the Korea Herald, Korea)

Central Bank Lowers Growth Forecast: Amid repeated recent warnings by private research institutes and the foreign media over the possibility of a depression in the Korean economy, the Ministry of Finance and Economy announced Tuesday that if the United States economy worsens and if global oil prices shoot up, the on-going recovery of the Korean economy is likely to slow down.

Echoing the gloomy outlook for the Korean economy, the Bank of Korea (BOK) announced the same day that the country would not be able to attain its earlier economic growth target of 6.5 percent. The central bank estimated that the economy this year would advance by six percent only in the first half of next year, if third-quarter economic growth picks up to about 6.3 percent.

In a report issued on Tuesday, the ministry said that there is a certain gap between various indicators and consumers' sentiment on the economy, as industrial output and exports have been progressing well, gaining momentum of the economic turnaround, but businesses and consumers have been shrinking from making new investments or in their patterns of consumption.

The ministry said private consumption, which spearheaded the economic recovery, would decline further when the government's new measures to curtail household loans go in effect.

(Source: October 15, 2002, the Chosun Ilbo, Korea)

2. Fisheries News in Korea

Bacteria found in imported fish: More than 20 percent of imported fish were found to contain bacteria that cause food poisoning, according to a report released by the Korean Food and Drug Administration (KFDA) yesterday.

The report is based on an examination of food-poisoning bacteria in imported fish between June last year and March this year.

It found that yellow staphylococcus was found in 18 out of 89 imported fish, which included 21 smoked salmon, 11 tuna, 35 frozen shrimp and three frozen octopi. The bacterium is believed to cause food poisoning.

Yellow staphylococcus was found in 13 frozen shrimp, two frozen octopi, two tuna and one smoked salmon. Three smoked salmon were also found to host other bacteria, such as listeria monocytogenes and escherichia coli, both of which cause food poisoning when ingested.

By country, seafood imported from China, with 13 out of 15 fish contaminated, had the most bacteria.

Norway came next with five out of 19. Fish imported from Norway also had all three food poisoning bacteria.

This was followed by India with one fish out of three containing bacteria. The United Arab Emirates and Thailand were next with one out of three and one out of 18, respectively.

Officials with the KFDA emphasized that it is important to cook imported fish completely before eating.

(Source: October 9, 2002, the Korea Herald, Korea)

Chinese Fish Ranchers Roping Korean Market: The importation of live fish from China has rapidly spread throughout Korean dining rooms and restaurants. The minister of Maritime Affairs and Fisheries said on Thursday that Korea imported in 1999 5,573 tons of live fish, but the number rose 2.5 time to 13, 961 tons last year.

Of the fish imports, 82 percent, 11,500 tons worth, were from China. The ministry estimates that Korea's import of live fish from China would continue to grow this year, and would reach 15,000 tons this year. An official at the ministry explained that Chinese harvesters are aiming their fish ranching specifically to appeal to the Korean market.

(Source: September 19, 2002, the Chosun Ilbo, Korea)

3. Weekly Trend of Wholesale Fisheries Market in Korea

1) Noryangjin Wholesale Fisheries Market in Seoul, Korea: Oct. 2 – 8, 2002

As the merchants closed their shops recently in protest against the Market Management Company, the trade was slow.

- Squid, fresh: Supply – 40 tons per day
Price – W 8,300 / 8-kg-box (\$0.39/lb) for medium quality,
W 3,000 (US \$0.14) per pound down from the previous week.
- Fresh hair tail: It's peak season for catch,
Supply – 20 tons per day
Price – W 15,000/4-kg-box (\$1.40/lb) for medium quality
- Live Blue Crab: Price – W 32,300 per 3-kg-box (\$4.00 /lb)

2) Garakdong Wholesale Fisheries Market in Seoul, Korea: Oct. 1 - 7, 2002

The prices for many species went down due to oversupply:

- Fresh mackerel: supply – 35 tons per day
price - W 24,000/10-kg-box (\$.89/lb) for high,
31% down from the previous week
- Fresh hair tail: price – W 23,600 per 3-kg-box (\$.34/lb) for medium,
W 1,000 per box (\$.81 per box) down from the previous week

(Source: October 14, 2002, the Korea Fisheries Times, Korea)